

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1772 - HB 1837

March 6, 2022

SUMMARY OF BILL: Modifies the definition of cost in the Border Region Retail Tourism Development District (BRRTDD) Act to include rental discounts and lease incentives given by a municipality or industrial development corporation to a retail or tourism facility.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$3,314,700/Each FY22-23 through FY46-47

Increase Local Revenue – \$3,314,700/Each FY22-23 through FY46-47

Assumptions:

- Changing the definition of cost to include rent and lease incentives allows the sales tax collected and remitted from these discounts and incentives to be fully reimbursed to BRRTDDs.
- According to the Department of Revenue, BRRTDDs currently forgo an estimated total of \$105,000,000 a year in revenue by discounting rents and leases. Discounted rent and leases are an estimated 18 percent of the total costs to BRRTDDs.
- According to the Department of Revenue (DOR), the state sales tax allocation to BRRTDDs in FY20-21 was as follows:
 - \$10,933,683 to Bristol.
 - \$4,871,958 to East Ridge.
- The total state sales tax allocation to BRRTDDs in FY20-21 was \$15,805,641 (\$10,933,683 + \$4,871,958)
- Fiscal Review Committee staff's current estimates for total sales tax collection growth rates are 10.96 percent from FY20-21 to FY21-22 and 5.0 percent from FY21-22 to FY22-23. For the purposes of this analysis, it is assumed allocations to BRRTDDs will grow at the same rate.
- The estimated state sales tax allocation to BRRTDDs in FY22-23 is \$18,414,836 (\$15,805,641 x 1.1096 x 1.05). For the purposes of this analysis, this number is assumed to remain constant from FY22-23 through FY46-47, when the allocations to Bristol, East Ridge, and Kingsport are currently set to sunset.
- For the purposes of this analysis, the estimated amount of sales tax reimbursement to BRRTDDs that will come from discounted rents and leases in the proposed legislation is assumed to be 18 percent of the current state sales tax allocated to BRRTDDs.

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- The estimated decrease in state revenue is \$3,314,670 ($\$18,414,836 \times 18\%$) for each FY22-23 through FY46-47.
- The estimated increase in local revenue is \$3,314,670 ($\$18,414,836 \times 18\%$) for each FY22-23 through FY46-47.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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